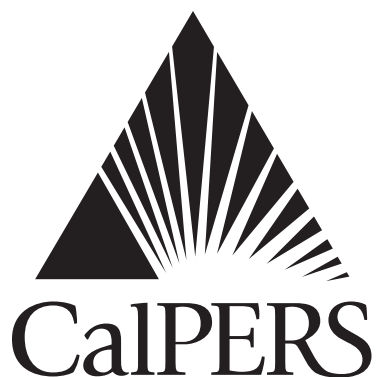


Small Business
Contract Participation and Improvement Plan
July 1, 2007—June 30, 2008



Fiscal Year 2007-08
Annual Report

Prepared by:
California Public Employees' Retirement System
CalPERS Diversity Outreach Program
CalPERS Business Connection

SUMMARY OF SMALL BUSINESS PARTICIPATION

The California Public Employees' Retirement System (CalPERS) adopted the provisions of Public Contract Code § 10115 et seq. in 1990 and accordingly established an overall Small Business contract participation level of 25 percent.

Attachment 1: The Contracting Activity Report/STD 810 summarizes the level of Small Business contract participation CalPERS achieved during Fiscal Year (FY) 2007-08. The data reflects participation using CalPERS Board of Administration reporting criteria, which includes multi-year contracts that were in force during the reporting period, but were not executed in the same period. This differs from the Department of General Services (DGS) reporting criteria, which asks for "the total value, in whole dollar amounts, of all contracts ... issued or charged during the reporting period, for each category..."

Part 2 of the Contracting Activity Report highlights CalPERS utilization of Small Businesses (SB) and Micro Businesses (MB) during FY 2007-08:

- 7.80 percent Small Business participation level for all contracting activity (combined volume of all goods, services, and construction activity);
- 3.92 percent Micro Business participation level for same; and
- Combined SB/MB participation level of 11.71 percent.

Attachment 2: The Std. 810 Supplemental Report indicates that a total of two contracts were awarded to SBs, MBs, and/or DVBES, based on the SB/MB and DVBE Option (pursuant to Section 14838.5 (a) and 14838.7(a) of the Government Code Public Code 10111 Section (e) (7)). The total value of those contracts was approximately \$159,200.

Despite CalPERS proactive approach toward SB participation, the agency still falls short of its 25 percent goal. The FY 2007-08 deficiency can be attributed to the following:

- Large CalPERS-unique Health Benefits and Investment-related contracts that do not lend themselves to SB participation. These contracts accounted for almost two-thirds, or \$212 million, of our total contract dollars (\$365 million) in FY 2007-08.
- Legal Office contracts that are executed as zero dollar contracts with amounts determined upon request and receipt of services, where those services have been received.
- Public Affairs pool contracts executed as zero dollar contracts with amounts determined via services delivered by letter of engagement process, where those services have been delivered.

The combined participation level of 11.71 percent reflects a decline in CalPERS SB/MB contracting activity.

CalPERS EFFORTS TO INCREASE SMALL AND MICRO BUSINESS PARTICIPATION

Having adopted resolution 92-04B-7, CalPERS Board of Administration remains committed to establishing an aggressive and proactive outreach program that targets all who wish to do business with CalPERS, including small, micro, and disabled veteran businesses. CalPERS has employed a full-time Business Liaison since November 2001 to serve as the outreach coordinator for the CalPERS Business Connection Program.

Focused efforts on increasing SB and MB participation levels include:

1. Encourage eligible CalPERS vendors to become certified via DGS.
2. Collaborate with our Operations and Support Services Division to encourage our Contracting and Procurement vendors to become certified at the time of bid (prior to contract or purchase order approval dates).
3. Continue and strengthen an internal campaign to further promote the program and encourage CalPERS staff to use certified SBs and MBs for products and services currently being provided by non-certified companies, providing that products/services, pricing, distribution, and service levels are comparable.
4. Utilize internal communication avenues to highlight CalPERS SB participation goals and the importance of purchasing and contracting with certified firms.
5. Participate in business tradeshows, conventions, and events to promote CalPERS contracting opportunities (oftentimes partnering with the Department of Veteran's Affairs and/or DGS).
6. Provide internal education and serve as a resource to various CalPERS divisions to enhance awareness and understanding of the Small Business/DVBE program and to promote services offered by the CalPERS Business Connection Program.
7. Working directly with certified SBs, including notifying them when their certification has expired and encouraging them to recertify.